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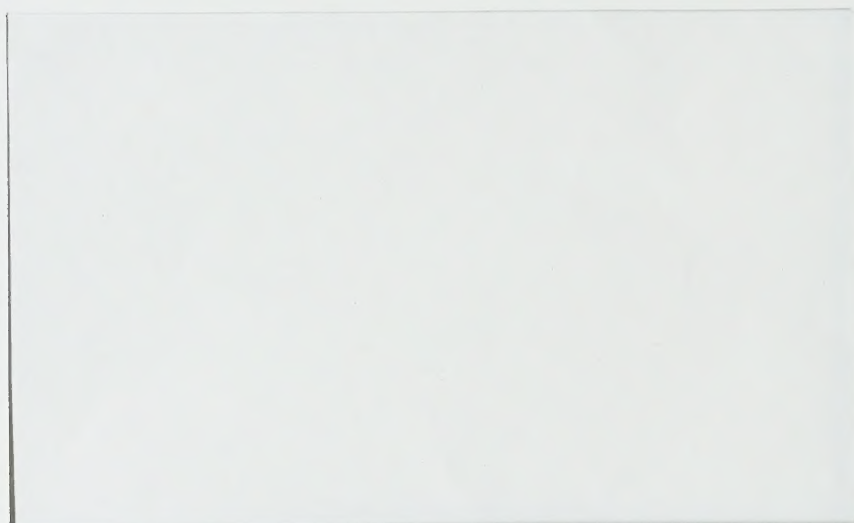
THE SOCIAL CONSEQUENCES
OF PRIVATIZING LIQUOR
AND BEER STORES *

Current Issue Paper #187



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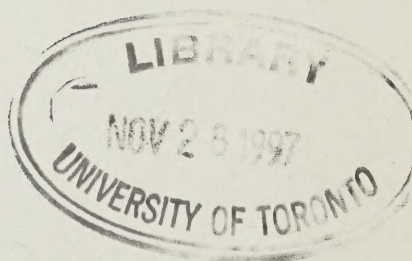
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INTRODUCTION

There is considerable controversy surrounding the social consequences of privatizing retail liquor and beer stores in Ontario.¹ Opponents argue that privatization would lead to increased alcohol availability and result in increased consumption. This, opponents continue, would lead to a number of health and social problems. Proponents respond that years of alcohol availability has made Ontarians responsible drinkers and that they would continue to act responsibly after privatization. Proponents justify their response by pointing to recent studies which suggest that other factors such as national drinking patterns are more important determinants of consumption rates than the state's control of alcohol sales.

This Current Issue Paper critically examines the potential social consequences of privatization of state retail outlets by assessing the following claims:

- that privatization of state retail outlets leads to increased availability of alcohol;
- that increased availability leads to increased consumption of alcohol; and
- that increased consumption leads to increased social problems related to alcohol.

The paper concludes by speculating about the possible social consequences of privatizing LCBO stores.

PRIVATIZATION ⇒ INCREASED AVAILABILITY?

State-operated monopolies over retail alcohol sales were initially created to regulate the availability, and in turn the consumption, of alcohol.² Under monopoly-based systems, increased demand does not result in a greater number of retail outlets unless the state sanctions such an increase. This limitation was thought to be an effective means of controlling alcohol availability in many parts of North America and Western Europe in the first part of this century. The Liquor Control Board of Ontario, for example, was created in 1927 to serve precisely this function. By the end of the 1920s, all Canadian provinces had similar Control boards.

Under free or less restrictive market conditions, by contrast, the limited number of studies suggest that alcohol availability increases in two ways. First, the overall number of retail outlets increases. Second, availability also increases as a result of the conveniences which private outlets can offer, such as increased hours of sale, the use of credit cards, and the sale of alcohol in conjunction with other products such as food and gasoline.³

In the 1970s, state governments in Idaho, Maine, Washington and Virginia decided to allow privately-owned and operated grocery stores to sell wine in competition with state-operated stores.⁴ In Idaho, this decision caused the number of retail outlets to rise from 70 to 1,000. In Maine, the number of outlets increased from 65 to 1,400. In Washington and Virginia, the number increased from 300 to 4,000.

In 1985, Iowa permitted private wine retailers and wholesalers to operate in competition with state-owned and operated stores. In 1987, Iowa went one step further and privatized all of its state-operated retail stores - the first US state to eliminate public presence in spirit sales since Prohibition was lifted in the 1920s. As a result of these initiatives, the number of liquor outlets rose from 165 in 1985 to about 800 by 1989, before leveling off at about 400 in the mid-1990s.⁵

In Alberta, the provincial government privatized Alberta Liquor Control Board (ALCB) outlets at the end of 1993. In the wake of this decision, the number of retail outlets tripled from 258 in 1993 to almost 604 in 1995.⁶ The hours which private outlets are open in Alberta doubled as well, from an average of 40 hours per week prior to 1993 to just under 80 hours in 1996, with some stores now open to 2 a.m.⁷

INCREASED AVAILABILITY ⇒ INCREASED CONSUMPTION?

Does increased alcohol availability *via* privatization of retail outlets cause levels of alcohol consumption to increase as well? In one classic study on the subject, alcohol consumption in Finland was found to have increased 48% after medium strength beer was released for unrestricted retail distribution and retail liquor stores were permitted in rural communities in the late 1960s.⁸ Interestingly, alcohol consumption decreased by about one third in 1972 for the duration of a strike which temporarily closed all Finnish retail outlets.⁹

In another classic study, consumption patterns were examined in Idaho, Maine, Washington and Virginia after each state allowed privately-owned and operated grocery stores to sell wine.¹⁰ A time-series study of consumption patterns over the course of the 1970s found that wine consumption increased in the wake of privatization in three states (305% in Maine, 35% in Idaho, and 50% in Washington) and decreased slightly in Virginia. Variations in precise consumption levels were attributed to prior consumption patterns and geographical locations of the grocery stores in each state, as well as differing price and tax structures.

It is important to note that increased alcohol consumption levels in Finland and the United States were recorded during a period in which overall

consumption was on the rise as a result of other factors, including the increase in the number of on-premise outlets (bars, etc.), demographic changes, and broader cultural trends such as increased secularization. These factors made privatization of retail outlets only one of several factors causing both alcohol availability and consumption levels to rise during this period. More recent data, recorded during periods of lower overall drinking rates and greater availability, suggests that privatization of retail outlets need not necessarily result in increased consumption.

In Iowa, where privatization was partially implemented in 1985 and fully implemented in 1987, an initial study found that by 1990 overall alcohol consumption had increased by 9.5%.¹¹ Two years later, though, a follow-up study found that this increase was only temporary and that wine and spirit sales were not significantly affected by privatization.¹² This same study found that privatization did not cause an increase in either heavy drinker or problem drinker rates even with the initial increases in consumption.¹³

The Alberta Alcohol and Drug Abuse Commission (AADAC) reported that the number of drinkers in Alberta's population decreased from 83% in 1985 to 74% in 1995.¹⁴ AADAC found that per capita consumption decreased over this same period as well, from 11.1 litres of absolute alcohol to 8.7 litres. While this is too short a period to confirm the long-term impact of privatization on consumption levels, this data suggests "that there has not been either a large shift upward or downward in the quantity of liquor products sold since privatization was announced in September 1993."¹⁵ This data does, however, also indicate a longer term trend of declining consumption.

Alberta is not the only Canadian jurisdiction where increased availability failed to cause an increase in consumption. In a recent study of Quebec's 1978 decision to allow corner grocery stores to sell lower-priced, domestically-bottled wines in addition to beer, which they had been selling since prohibition was lifted, researchers found that alcohol consumption increased only slightly - "not enough to be regarded as a significant change in wine-buying behavior."¹⁶ Researchers concluded that while increased availability certainly had some effect on consumption levels:

...[availability] seems to have been minor rather than a major factor, with consumption behavior in the long run continuing to be driven by prices and incomes in much the same manner as they were before 1978. Our results are not incompatible with the behavior of a mature market for alcohol, one in which alcohol has been available for a long period.¹⁷

In sum, the evidence as to whether privatization of retail outlets contributes to increased levels of alcohol consumption is somewhat mixed. There is certainly evidence that privatization contributes to increased consumption. However, other factors, such as regional or national drinking habits, prices and location of outlets, can mediate or even cancel this effect. The experience of Alberta and Quebec testifies to the importance of these type of intervening variables.

INCREASED CONSUMPTION ⇒ INCREASED SOCIAL PROBLEMS?

No study has been able to prove a *causal* relationship between increased aggregate alcohol consumption and increased social problems. Notwithstanding the absence of a causal relationship, however, most studies conclude that increased alcohol availability can and often does *influence* higher levels of drinking among both moderate and heavy drinkers, the two groups most likely to exhibit alcohol-related health problems. The evidence is far less conclusive about whether increased consumption is related to an increase in such social problems as alcohol-related crime.

Statistical studies suggest that high levels of alcohol consumption are strongly associated with liver cirrhosis mortality, alcoholic psychosis, and acute alcohol poisoning, on both an individual and social level.¹⁸ Increased morbidity and mortality in these areas would presumably also increase health care costs.

The relationship between increased alcohol consumption and social problems such as crime is far less clear and has been much less studied. (This paper does not examine whether a relationship exists between increased consumption and other social problems such as family violence and crimes against persons.) Recent studies from Russia, Poland and Finland report that increased alcohol consumption is related positively to such things as fatal accidents and suicides.¹⁹ Other studies from the United States and western Europe, by contrast, report that the statistical relationships between alcohol-related crimes and levels of consumption “are frequently negligible or negative.”²⁰ This divergence of evidence suggests that “the relationship between changes in consumption and the incidence of casualty and social problems is, however, historically conditioned and depends on transformations both in patterns of drinking and in social response.”²¹ In other words, as evidence from Alberta and Quebec confirms, the broader social context must be considered in any assessment of the effects of increased alcohol consumption.

In a recent study of Alberta's experience with privatization, the following statistics on crimes related to alcohol were reported for Edmonton:

Liquor Offenses	1995	1994	1993	1992	1991
<i>Liquor Act</i> generally	134	124	147	121	111
Consume in public place	346	341	246	283	330
Conveying in motor vehicle	716	559	474	498	644
Illegal possession	2	5	29	14	52
Intoxication	552	521	728	590	555
Minor - licensed premise	94	80	34	37	30
Minor - obtain liquor	78	70	37	43	53
Supply to minors	11	5	6	7	6
Sale and keep for sale	63	11	13	12	76
TOTAL	1996	1716	1714	1605	1857
Traffic Offenses					
Impaired Driving causing Death	3	2	1	1	1
Impaired Driving causing bodily harm	29	45	39	42	37
Driving while impaired	2302	2913	3554	3939	4004
Blood/alcohol exceeds .08	1859	2346	2862	3118	3197
Refuse to take breathalyzer	374	495	573	734	702
Refuse to take roadside screening	65	90	145	159	156
Refuse to give blood sample	11	12	23	14	18
TOTAL	4643	5903	7197	8007	8115

Source: Douglas West, *The Privatization of Liquor Retailing in Alberta* (Toronto: University of Toronto, Centre for the Study of State and Market, 1996), p. 79.

As shown, the two largest increases in liquor-related offenses occurred with respect to minors: minors in a licensed premise and minors obtaining liquor. The Edmonton statistics do not indicate whether these offenses occurred in liquor stores or in on-premise bars and taverns.

With respect to traffic-related offenses, the Edmonton data shows that there has been a sharp drop since 1991, especially in driving with a blood/alcohol level in excess of .08. It is not clear whether this drop is due to increased enforcement activity or a change in Albertans' drinking habits.

The only clear increase in crimes related to alcohol has been with respect to liquor store-related offenses. The following table provides details of these crimes in Calgary, the only Alberta city which keeps such records:

Offense	1995	1994	1993
Shoplifting under \$5000	96	93	54
Shop break and enter	35	79	24
Commercial robbery	16	9	2
Theft over \$5000	4	2	1
Theft under \$5000	11	5	0
Street robbery (committed in proximity to the store)	1	6	1
Assaults	0	2	3
Dangerous use of a weapon	0	1	0
Sale of alcohol to a minor	0	1	0
TOTAL	163	198	85

Source: Douglas West, *The Privatization of Liquor Retailing in Alberta* (Toronto: University of Toronto, Centre for the Study of State and Market, 1996), p. 81.

While these statistics show an increase in the overall number of liquor store-related crimes since Alberta privatized its retail outlets, the actual risk of one store experiencing a crime has decreased. As the Calgary Police Service explains:

...in spite of the 229% increase in the number of shop break and enters in 1994, the risk per store was actually smaller in 1994 (0.8/store) than in 1993 (1.0/store). As for commercial robberies, the 9 offenses reported in 1994, compared to 2 in 1993, equates to 0.1 offense per store (or 1 per 10 stores) for both years. This would suggest that while there were more commercial robberies and shop break and enters reported in 1994, the risk of attack per store, given the increased number of private liquor store outlets operating, was either the same or lower than ALCB stores in 1993.²²

The Calgary Police Service concludes that their data "dispels the myth that privatization of liquor businesses has increased the rate of crime. It reveals that privatization has not altered the amount of crime at [individual] locations over the past 2 years."²³ The Service did not examine whether the level of other commercial crimes, such as those associated with convenience stores and gas stations, were affected positively or negatively by the overall increase in liquor store-related crimes.

THE SOCIAL EFFECTS OF PRIVATIZING LCBO OUTLETS: SOME PRELIMINARY CONSIDERATIONS

The evidence examined in this Current Issue Paper suggests that privatizing a state's monopoly over alcohol retail sales almost inevitably leads to an increase in the availability of alcohol, either in the sheer number of retail outlets in operation or in terms of the convenience which privatized outlets can offer consumers in terms of extended hours of operation, methods of payment, etc. Increased availability, however, does not necessarily lead to increased alcohol consumption. During periods when consumption among the general population is on the rise, the classic studies examined in this paper suggest that increased availability *via* privatization can contribute towards higher consumption levels. More recent studies suggest, however, that other variables such as societal drinking habits may have as much or even more to do with alcohol consumption than availability.

When alcohol consumption does increase - for whatever reason - there is strong evidence to believe that alcohol-related health problems such as liver cirrhosis mortality, alcoholic psychosis, and acute alcohol poisoning, will increase as well. The limited evidence from Alberta suggests that increased consumption levels would not likely lead to increased alcohol-related crime levels.

On the basis of the evidence examined in this paper, what social consequences can be expected of a decision to privatize state-owned retail outlets? With respect to availability and consumption, privatization in Ontario may not cause consumption to increase significantly. While the number of outlets would increase, the convenience for consumers may not improve greatly because gradual changes to LCBO's retail policies over the past two decades have already made alcohol readily available. These changes include:

- Increase of beverage choices and accompanying promotion;
- Move to self-service liquor and beer stores;
- Diversification of options with regard to bottle size;
- Promotion of extra-strength beers;
- Introduction of U-brews and expansion of the home wine-making industry;
- Expansion of the Ontario winery and LCBO Agency store networks;
- Introduction of "happy hours" (for some years) and expansion of other means of on-site promotion of alcohol;
- Rapid expansion of the "on-premise" network of bars, restaurants, fast food outlets, etc.;
- Increased access through longer retail hours generally as well as time-limited hour extension for special events (i.e., Toronto Film Festival);

- Expansion of the number of sports venues where alcohol can be consumed;
- Introduction of credit cards for purchases at LCBO and Winery outlets;
- Elaboration of sponsorship and promotion activities by producers and secondary industries; and
- Recent decisions to allow increased media advertising of alcoholic beverages.²⁴

A second mitigating factor against privatization leading to increased consumption in Ontario is the overall decline in alcohol consumption in general over the past decade. In 1994, Health Canada found that 74.4 percent of men and women over the age of 15 drank in the previous 12 months, compared with 81 percent in 1985.²⁵ The levels of consumption have decreased as well, from 9.14 litres of absolute alcohol in 1989 to 7.97 litres in 1992.²⁶ This decrease has been attributed to a gradually aging population, expanding consumer consciousness with regard to health, diet and fitness, and increased prevention and treatment efforts from private and public health bodies.²⁷

Changes to the LCBO's retail policies, together with the overall decline in alcohol consumption in the province, suggest that even though privatization of LCBO retail outlets could increase availability, consumption need not necessarily increase significantly as a result. While increased consumption is strongly associated with increased health problems, available research is far less clear on the implications for other social problems. Canadian experience, for example, shows that there is no direct link between privatization and alcohol-related crimes. More research needs to be conducted to determine if other social problems such as family violence and crimes against persons would increase with higher alcohol consumption rates.

ENDNOTES

- ¹ For a good overview of the economic dimensions of this debate, see Margaret Swaine, "Spirit of the West," *Toronto Life*, December 1995; and Andrew Willis, "Liquid Assets: Will Ontario Join Alberta in Privatizing Liquor Sales?" *Macleans*, 24 July 1995.
- ² See, in general, G. Edwards, P. Anderson, T.F. Babor, *et al.*, *Alcohol Policy and the Public Good* (Oxford: Oxford University Press, 1994); and Klaus Makela, Robin Room, Eric Single, Pekka Sulkunen, Brendan Walsh, *Alcohol, Society, and the State* (Toronto: Addiction Research Foundation, 1981).
- ³ G. Edwards, *et al.*, *Alcohol Policy and the Public Good*, p. 131.
- ⁴ See Scott Macdonald, "The Impact of Increased Availability of Wine in Grocery Stores on Consumption: Four Case Histories," *British Journal of Addiction* 81 (1986); and R.L. Hammond, "Do Increased Alcohol Outlets Influence Alcoholism Rates?" *Report on Alcohol* (Fall, 1975).
- ⁵ A.C. Wagenaar and H.D. Holder, "A Change from Public to Private Sale of Wine: Results from Natural Experiments in Iowa and West Virginia," *Journal of Studies in Alcohol* 52:2.
- ⁶ Douglas West, *The Privatization of Liquor Retailing in Alberta* (Toronto: University of Toronto, Centre for the Study of State and Market, 1996), p. 32.
- ⁷ Swaine, "Spirit of the West," p. 72.
- ⁸ K. Bruun, G. Edwards, M. Lumio, K. Makela, L. Pan, R. Popham, R. Room, W. Schmidt, O Skog, P. Sulkunen and E. Oosterberg, *Alcohol Control Policies in a Public Health Perspective* (Helsinki: Aurasen Kirjapaino Forssa, 1975), quoted in Scott Macdonald and Paul Whitehead, "Availability of Outlets and Consumption of Alcoholic Beverages," *Journal of Drug Issues* (Fall, 1983).
- ⁹ K. Makela, "Differential Effects of Restricting the Supply of Alcohol: Studies of a Strike in Finnish Liquor Stores," *Journal of Drug Issues* no. 10.
- ¹⁰ See Macdonald, "The Impact of Increased Availability of Wine in Grocery Stores on Consumption," Hammond, "Do Increased Alcohol Outlets Influence Alcoholism Rates?"
- ¹¹ Harold Holder and Alexander Wagenaar, "Effects of the Elimination of a State Monopoly on Distilled Spirits' Retail Sales: A Time-Series Analysis of Iowa," *British Journal of Addiction* 85 (1990).
- ¹² H.A. Mulford, J.L. Ledolter, and J.L. Fitzgerald, "Alcohol Availability and Consumption: Iowa Sales Data Revisited," *Journal of Studies on Alcohol* 53.
- ¹³ Ibid.
- ¹⁴ Alberta Alcohol and Drug Abuse Commission, "Meeting Challenges and Making Changes: AADAC Annual Performance Report, 1994-95," August 1995, p. 16.
- ¹⁵ West, *The Privatization of Liquor Retailing in Alberta*, p. 72.

¹⁶ M. Adrian, B. Ferguson, M. Her, "Does Allowing the Sale of Wine in Quebec Grocery Stores Increase Consumption?" *Journal of Studies in Alcohol*, 1995, quoted in Norman Giesbrecht, *Proposed Privatization of Retail Alcohol Sales in Ontario: Health, Social, Economic and Safety Implications* (Toronto: Addiction Research Foundation, 1995), p. 14.

¹⁷ Ibid.

¹⁸ The extensive literature on this subject is reviewed in Makela *et al*, *Alcohol, Society, and the State*. In *Proposed Privatization of Retail Alcohol Sales in Ontario*, Giesbrecht reviews more recent literature on the subject. See, as well, P. Davies and D. Walsh, *Alcohol Problems and Alcohol Control in Europe* (New York: Gardner Press, 1981); and O.J. Skog, *The Distribution of Alcohol Consumption* (Oslo: National Institute for Alcohol Research, 1982) and Single.

¹⁹ These studies are reviewed in Giesbrecht, *Proposed Privatization of Retail Alcohol Sales in Ontario*, p. 9.

²⁰ Makela *et al*, *Alcohol, Society, and the State*, pp. 90-1.

²¹ Ibid.

²² Calgary Policy Service, *Fourth Quarter Liquor Store Report, Summary of Reported Offenses* (Calgary: The Service, 1994).

²³ Ibid.

²⁴ Ibid., p. 10.

²⁵ The Canadian Centre on Substance Abuse/Addiction Research Foundation of Ontario, *Canadian Profile: Alcohol, Tobacco and Other Drugs* (Toronto: CCSA/ARF, 1995), p. 19.

²⁶ Ibid.

²⁷ Giesbrecht, *Proposed Privatization of Retail Alcohol Sales in Ontario*, pp. 10-12.

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